

SPECIALTY LIVESTOCK

EXECUTIVE SUMMARY

The specialty livestock industries in Kansas are relatively small, compared to more traditional livestock production in Kansas; however, the industries that do exist are successful and have benefited from increased consumer demand. Specialty livestock species in Kansas include bison, goats, sheep, alpaca and llamas, along with any other small herds of other livestock. These livestock operations benefit from many of the same advantages Kansas offers traditional livestock production: abundant land and feed supplies, a strong transportation infrastructure, state support for the livestock industry, and a wealth of research and knowledge about livestock health and management within the state.

Just as the advantages facing larger operations help specialty livestock, the challenges facing the entire livestock industry also present possible barriers to growth for the specialty livestock industries. Access to an abundant water supply is critical, and laws regulating water use can be problematic for new or expanding livestock operations, along with concerns relating to workforce and transportation. The specialty livestock industries face additional challenges, because the size and unfamiliarity of these industries may make them seem a less reliable investment. There are few in-state processing facilities that cater to specialty livestock. Also, while consumer demand is increasing, that demand is accompanied by an expectation of consistency of product which is difficult for smaller producers.

Growth within the specialty livestock industries will require input and discussion among key partners to develop a long-term growth strategy. Coordination between the specialty livestock industries will be an important component, as they work toward increased access to processing and value-added facilities. Economic development and marketing programs could assist in the enhancement of existing businesses as well as the recruitment of new businesses to expand the industry. A collaborative effort between public and private stakeholders to create a strategic growth plan is critical to the future of this agricultural sector.



STATUS

Kansas is home to many livestock species such as goats, sheep, bison, alpaca, llamas and other specialty livestock. Compared to more traditional livestock production in Kansas, the size of these industries is relatively small. Kansas is ranked 13th and 24th in the nation in meat goat and sheep production, respectively. Kansas ranks 8th in bison with just over 4 percent of the U.S. bison herd.

According to estimates prepared by the Kansas Department of Agriculture and based on the Implan economic data model, the specialty livestock (bison, sheep and goat) industries in Kansas combine for a direct output of nearly \$11.6 million and create 70.8 jobs in the state. Through indirect and induced impacts, the industries support a total of 112.4 jobs and create a total economic contribution of approximately \$17.8 million.

Although not inventoried by the U.S. Department of Agriculture's National Agricultural Statistics Service, Kansas is also home to other specialty livestock production such as alpacas and llamas.

OPPORTUNITIES

In order to develop a strategic growth plan for the specialty livestock industries it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
Biosecurity	Kansas is recognized as one of the best exercised states in foreign animal disease. The construction of the National Bio and Agro-Defense Facility and the existing Biosecurity Research Institute enhance the research capabilities for animal health and biosecurity for the state, U.S. and global livestock community.
Consumer Demand	Increased consumer demand for meat grown locally has increased the demand for specialty livestock meats. This has benefited many specialty livestock producers and processors.
Feed Supply and Land Availability	<p>Kansas is home to abundant feedstock supplies including corn and corn derived dried distiller's grain, sorghum and sorghum derived dried distiller's grain, soybeans and soybean meal, forages and grassland.</p> <p>Kansas has the second most farm land of any state, roughly 90 percent devoted to agriculture. Small animal operations demand relatively less land than other animal facilities. These two factors together equate to a relatively available and affordable base for expanding operations.</p>
Human Capital	The Kansas State University Department of Animal Sciences and Industry houses respected faculty with expertise in livestock issues as well as faculty within the Cooperative Extension Service with knowledge of some specialty livestock species. This wealth of knowledge in the livestock industry in Kansas drives continual improvement that carries over to the specialty livestock sectors.

OPPORTUNITIES (cont'd)

Factor	Implications for Growth and Development Opportunities
<p>Policy Environment</p>	<p>Recent changes to the Kansas tax code have reduced state tax burdens on the Kansas agricultural community. Some of the key changes include a state income tax exemption for partnerships, LLCs, Limited Liability Partnerships, Sole Proprietorships and Subchapter-S Corporations; a sales tax exemption on the construction, reconstruction, and remodeling of livestock facilities for projects greater than \$50,000; and a sales tax exemption for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>Also at the state level, the state of Kansas works closely with the livestock community to ensure that the Kansas livestock industry is protected from overreaching federal regulation. Governor Sam Brownback has been a national leader in speaking out against Waters of the U.S. and the Endangered Species Act and is a strong proponent of easing transportation restrictions on the agricultural industries.</p> <p>Through the KDA Animal Health Board and key partnerships throughout the industry, KDA regularly meets with and seeks input on policy-related issues to ensure industry concerns are heard and included in policy decisions.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the agricultural industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, international trade, federal taxes, antibiotic use, livestock facility requirements, transportation rules, natural resources and more.</p> <p>In partnership with K-State, KDA can provide plan writing and training to meat processors to meet Hazard Analysis and Critical Control Points (HACCP) standards.</p>
<p>Supporting Infrastructure</p>	<p>Kansas is home to an intermodal freight facility in Edgerton with supporting cold storage warehouse infrastructure to handle more than 1 billion pounds of frozen meat products on an annual basis as well as ample capacity to ship other raw and value-added animal products worldwide.</p>
<p>Weather and Natural Resources</p>	<p>The semi-arid climate in Kansas is suitable for livestock production.</p> <p>Kansas is taking significant proactive steps to preserve and extend the usable life of water supplies in Kansas. In recent years, voluntary, flexible and producer-driven water conservation tools have been implemented to help farmers and ranchers manage their water rights while continuing to raise crops or livestock. Additionally, Kansas has developed a <i>Vision for the Future of Water Supply in Kansas</i> with goals and specific action items to help ensure a reliable water supply while continuing to grow the economy.</p>

SUCCESS STORIES

The specialty livestock community in Kansas works to improve practices and efficiencies. In recent years state and industry partners have taken several steps to improve the industry.

- A buffalo ranch located in eastern Kansas is a breeding stock ranch that also offers meat sales and agritourism opportunities. In recent years their herd has increased from 12 to 75 cows, and offered over 600 ranch tours in 2015.
- A specialty meats processing company founded 30 years ago now employs 31 full-time people and can process virtually any animal and bird except pheasant and quail. They process under private label and custom processing for customers across the United States.

CHALLENGES

While Kansas is poised for major expansion in the specialty livestock sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
Capital	Due to the unfamiliarity of the industry, access to capital can be an issue for both producers and processors.
Critical Infrastructure	<p>A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers.</p> <p>A lack of rail access in the western portion of the state will require producers to ship products across the state to be loaded onto the rail or use alternative transportation.</p> <p>As livestock producers and processors identify when and where to grow their presence, a key factor they will consider are utility rates.</p>
Industry Perception	Kansas' roots in some specialty livestock industries are not as strong as in other states, so potential Kansas producers and investors may be hesitant to invest in specialty livestock projects.
International Trade	<p>Access to international markets for specialty livestock products is key to growing the industry. Resistance to free trade agreements at the federal level can hinder this access.</p> <p>Other countries have been producing products more cheaply and flooding the U.S. market.</p>
Lack of Facilities	Kansas could benefit from additional local or regional slaughter facilities.
Large Customers	Big clients demand consistency, expecting all product to look and taste the same. Therefore, entering those markets is a challenge for smaller producers.

CHALLENGES (cont'd)

Challenge	Details of Challenge
Water	Critical to starting a livestock operation is access to an abundant and reliable water supply. This can prove challenging in many areas of western Kansas that are closed to new water appropriations. New or expanding livestock operations in these regions with stock water use requirements above 15 acre-feet will have to purchase land with sufficient water rights. Also related to water are challenges with consumptive use laws that can be costly and burdensome to convert from irrigation to stock water use.
Workforce Development	Growth in the specialty livestock industry may require a skilled and non-skilled workforce, which continues to be a significant challenge throughout the entire agricultural industry.

NEXT STEPS IN STRATEGIC DEVELOPMENT

The development of a long-term growth strategy will require input and discussion among key partners. The following strategies have been identified as next steps in developing a strategic growth plan for the specialty livestock industry.

Focus Area	Solution
Business Development	<p>Steps can be taken to encourage new business development in Kansas.</p> <ul style="list-style-type: none"> • Pursue the creation of economic development programs applicable to the specialty livestock production and processing industries. • Create a marketing program that promotes Kansas as the place for specialty livestock businesses throughout the production and processing chain. • Develop a database of federal programs available to assist start-up companies such as the USDA Small Business Innovation Research fund.
Federal Policies	Monitor and take appropriate action on federal policies that could adversely affect the livestock industry.
Industry Outreach	<p>Identify potential partners and establish a schedule for strategic growth plan meetings. Proactively reach out to key industry leaders and major processors in Kansas regarding the development of a strategic growth plan.</p> <p>The Kansas Meat Processors Association would be a resource which could support the industry with growth, succession plans and mobile processing units.</p>
Water	All parties will continue implementation of the action items identified in the Kansas Water Vision, including continued outreach related to increased adoption of voluntary, flexible water conservation tools like Water Conservation Areas and Local Enhanced Management Areas.

OPPORTUNITIES TO EXPAND PRESENCE

Initial list of potential opportunities:

- Kansas could reach the top 10 in meat goat production with the addition of 2,000 goats. Top 5 would require doubling of current numbers.
- Increase opportunities for small-scale goat, sheep, bison, alpaca and llama producers and processors.
- Partner with K-State to provide objective research and outreach on the specialty livestock industry.
- Provide training and plan development to processors to become HACCP compliant.

OBJECTIVE

Based on feedback and information gathered from stakeholders and key partners at the Agricultural Growth Summit in August 2016, specific growth objectives for the Kansas specialty livestock industries will be developed.

DRAFT

Kansas AG SUMMIT

GROW SMARTER. GROW STRONGER. GROW KANSAS.

KANSAS STRATEGIC AGRICULTURAL GROWTH SPECIALTY LIVESTOCK — NOTES

MEETING SUMMARY

From April to July 2016, Kansas Department of Agriculture executive and agricultural marketing team members met with specialty livestock producers and industry representatives. Individuals identified for the one-on-one conversations represented a wide variety of species included in the definition of specialty livestock and ranged in geography throughout the state. Many expressed that the large number of small-scale processors and the local food movement make Kansas a good place to grow. Common themes of challenges impacting the growth of the specialty livestock industry in the state included the lack of people specializing in specialty livestock and the difficulty of aligning supply and demand from small producers and large markets.

Consumer

- Local food movement has benefited specialty livestock producers with further opportunities
- Aligning supply and demand from small producers and large markets is difficult
- Big stores/customers demand consistency and everything must look and taste the same; entering those markets is a challenge for small processors
- Immense opportunities exist to create palates and recipes to educate consumers how to prepare and serve specialty livestock products in the home

Finance and Capital

- Access to capital is a challenge
- Livestock working facilities and fencing is expensive

Research

- Pharmaceutical industry lacks specialty livestock-specific products, resulting in extra-label use
- Lack of veterinary knowledge of specialty livestock at K-State is a challenge
- Need for small ruminant nutritionist at K-State
- Need market report numbers from USDA (currently unavailable)

Rules & Regulations

- BLM management led to reduced sheep numbers, which led to reduced packing plant infrastructure
- Regulations in general are a challenge — especially zoning and wastewater (specific to small processors)
- Kansas agritourism liability law is a huge advantage



Transportation and Infrastructure

- Not enough market to get several animals processed at once to sell meat is a challenge
- As support and value-added businesses for specialty livestock decline, so does the production for specialty livestock
- Kansas has many small-scale processors that benefit Kansans

Workforce and Quality of Life

- Finding people specialized in specialty livestock is a challenge
- Recruiting the next generation of producers and getting them involved is a priority

Other

- Need for increased presence in specialty livestock organizations, particularly through checkoff promotion
- Competition with foreign markets is a challenge
 - How does the industry expand their markets?
 - Large amount of import, not much export
- Figuring out ways to advertise to a tourism market is a challenge

Potential Action Items

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